THE ANATOMY OF A START-UP: PAGE 66

FEBRUARY 1990
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THE MAGAZINE FOR GROWING COMPANIES

Inc®

BUYING A BUSINESS

The diary of a family searching for their 'dream company'

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INVENTING ENTREPRENEURS:
How to get employees who can grow a business

SEE PAGE 74

THE LANGUAGE OF BUSINESS:
Figuring out the numbers that really matter

SEE PAGE 40

THE TOKYO CONNECTION:
How the Japanese are buying the next generation of Apple Computers

DIARY AUTHOR HENDRIX F. C. NIEMANN AND FAMILY

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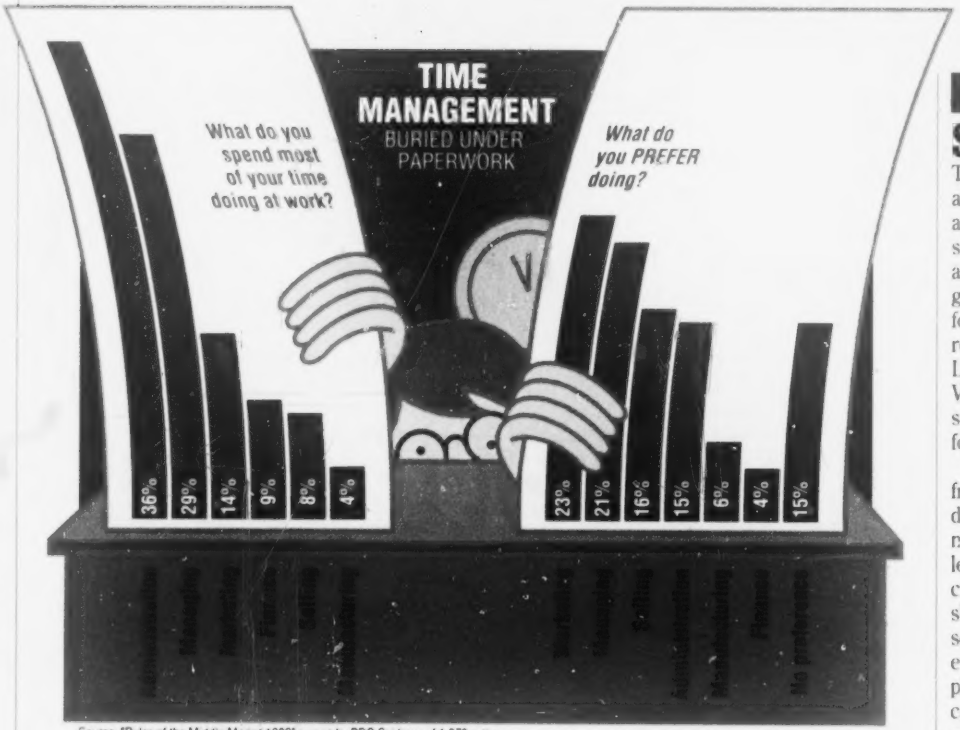
COVER PHOTOGRAPH
by
Enrico Ferorelli

HANDS ON

A Manager's Notebook



Source: "Pulse of the Middle Market 1989" survey by BDO Seidman of 1,873 active owners of businesses with $2 million to $100 million in revenues. New York City

TRAINING

SHOW AND TELL

To keep training dollars at work after an employee returns from a seminar or conference, consider having the employee give a mini-seminar afterward. It's a great way to make employees follow up on what they learn, reports Linda Miles, CEO of Linda L. Miles & Associates, in Virginia Beach, Va., which stages more than 100 seminars for dental-office staffs a year.

After staff members return from seminars, they report at a departmental meeting the three most important things they learned. The reports even make cross-training easier. "After our shipping clerk went to a postal-service seminar, all 20 of our employees learned how complex his job was and were more cooperative when changes came about," says Miles. ❑

RESOURCE

CONGRESSIONAL PRIVILEGE

International market research can command hefty prices, unless it's government data—then it's yours for the asking. One little-known source of refined data on overseas markets is the U.S. International Trade Commission. Because the commission reports on industry for trade representatives and Congress, its data are of a higher caliber than most government data available. Recent topics include Japanese forklifts, shock absorbers from Brazil, and ball bearings from nine countries.

For a bibliography of this eclectic mix of a few hundred reports, indexed by country and product, contact: Secretary's Office, Publications, U.S. International Trade Commission, 500 E St. S.W., Room 112A, Washington DC 20436. ❑

PURCHASING

PLAN ON IT

Forget about checking bank references if you're going to do work for a start-up. Ask to see the business plan, says Bill Drenttel, head of Drenttel Doyle Partners, a Manhattan design agency.

While it's always nice to get paid, if your client goes out of business before getting its product to market, you have nothing tangible to show for your effort, says Drenttel. That makes it harder to solicit new clients, who are going to ask to see examples of your work.

"We now always ask to see a business plan before we agree to do anything for a start-up," says Drenttel. "And if I don't understand the idea, I pass the plan along to a friend who does. I've learned that what I think is a neat concept is no guarantee of anything." So far, Drenttel says no one has balked at his request. ❑

SALES PROMOTION

MAKING A SPLASH

What do you do when your competitors can outspend you 100 to 1 on sales promotion? Make two or three big splashes a year instead of dozens of smaller ones, says Clifford Medney, who, as director of sales promotion for A&W Brands Inc., battles Coke and Pepsi for supermarket shelf space.

"Soft drinks is a $40-billion business," says Medney. "We just want our share." To get it, he times his promotions so they don't conflict with the giants.

Flexibility is key. "We do a root-beer-float campaign that can run any time between June and September. We leave it up to our bottlers and the stores to figure out when's the best time. If Pepsi has Michael Jackson in town, we're willing to wait. The secret is counterpunching." ❑

BENEFITS

CONTINUING EDUCATION

Want to score points with employees and keep them in tip-top shape? At $25-million Tassani Communications Inc., a Chicago advertising agency, employees can attend Food for Thought brown-bag lunches and listen to lectures on such topics as stress management, crime prevention, and time management. Says CEO Sally Tassani, "People enjoy topics that help them in their everyday life—things we tend to neglect when working long hours."

Tassani says attendance is better at irregularly scheduled lunches, which provide a break from routine, and when employees help choose topics. "For a couple hundred dollars per speaker, it's an inexpensive way to make this a fun place to work and learn," she says. ❑

CHARTS: ELLIOT BERGMAN

HANDS ON

BOARD OF DIRECTORS

GOOD THINGS COME TO THOSE WHO WAIT

If your board of directors is strictly a family affair, you run the risk of a grisly boardroom scene by nominating a stranger to the board. To avert such battles, J. W. Kisling, chairman and CEO of Multiplex Inc., a beverage-dispensing equipment manufacturer in St. Louis, went about his boardroom appointments very patiently.

Over a five-year period, Kisling rotated 12 candidates through an informal board of three advisers. This not only gave Kisling a chance to check out the board candidates, but it also gave the three family directors time to warm up to the idea of outside input into their company. Because Kisling had invited the candidates to family social gatherings, the relatives on the board weren't put off when Kisling motioned to vote 3 of the candidates to the board. The family members voted for all 3.

The long-term strategy paid off. Kisling reports the outsiders have provided counsel that's helped Multiplex grow from $10 million to $25 million in seven years. "There are no fights, good exchanges, and very few tie votes," he says. ❑

BANKING

GROUP EFFORTS

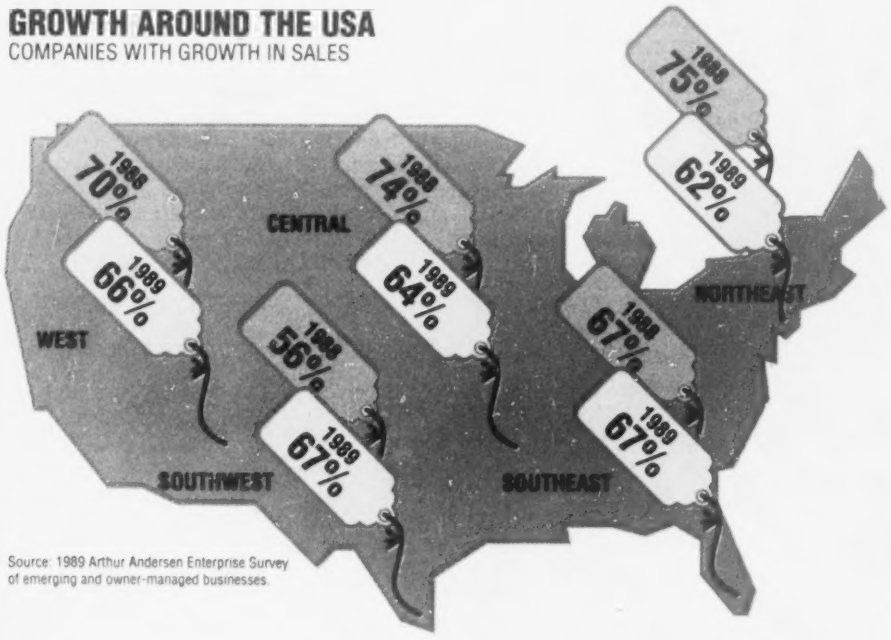
When negotiating with your banker, don't overlook what may be one of your strongest assets—your key executives. If you've invested in these people, why not turn over some of the banking duties to them and impress your banker with your ability to delegate?

That's what Leslie Otten, CEO of Sunday River Skiway Corp., a $23-million ski resort in Bethel, Maine, figured. "For years my banker knew that I was 'it' in the executive suite," says Otten. "That doesn't make a banker feel very comfortable. By 1986 I had assembled a solid team and wanted to let my banker know it." So now, once a year at Sunday River, the controller and operations and marketing executives take turns meeting with the banker to discuss their departmental plans and performance with him.

"The banker is pleased to have such substantive contact with my key people," says Otten, who has negotiated loan rates he's happy with. "He sees we have personal approaches but all sing in the same key." ❑

GROWTH AROUND THE USA

COMPANIES WITH GROWTH IN SALES



Source: 1989 Arthur Andersen Enterprise Survey of emerging and owner-managed businesses.

COMPENSATION INCENTIVES

Why did you adopt an incentive pay program?

Source: Sibson & Co. "1990 Compensation Planning Survey" of 630 companies. Princeton, N.J.

HIRING

TESTING OUT

No matter how thoroughly you interview a job candidate, there's always the chance you'll miss something. To minimize the risk without giving people the third degree, consider assigning a take-home exam.

"I tend to be in a hurry," says Marilyn Ounjian, CEO of Careers USA, a Philadelphia employment agency. "Giving take-home exams forces me to be patient with hiring decisions."

Recently three marketing-director finalists were given the following assignment: "Work up some projections for the new program we discussed, and get them back to me whenever it's convenient." Only one candidate queried Ounjian for specifics needed to work up something more than a pie-in-the-sky answer. She also delivered her plan the next day. Ounjian hired her. "She wanted to manage the sales force and get them to do more. The others only wanted to spend more money," says Ounjian. ❑

HANDS ON (continued)

Reported by Paul B. Brown and Teri Lammers

HANDS ON

MARKETING

WORST-CASE SCENARIOS

The last thing you want to happen when you're pioneering a new geographic market is to get halfway into it and find out it's a dud. "That's what's liable to happen if you go to the least risky spot first," warns Robert Black, cofounder of $27-million Superwash Inc., in Morrison, Ill. Black should know. Since 1982 he and his wife, Mary, have built 210 car washes and don't have one shaky territory in the country.

The Black method? Identify the biggest problem in a given market. Open up in a location with the highest concentration of that problem. If it works there, the market is golden.

In Oregon, rain was the problem. In Colorado, the problem was a $40,000 water hookup fee and an expensive real-estate market, so Black went into an affluent community and paid the fee. His gamble paid off.

There's still only one Superwash in the Pacific Northwest, but, after his positive experiences in Colorado, Black plans to expand in that market. ❑

MEETINGS

HOT SPOTS

To cut down on unproductive meetings, Melia Peavey takes her staff meetings directly to the trouble spot. "When you're cooped up in a meeting room the problem seems remote," says Peavey, COO of Peavey Electronics Corp., an 1,800-employee electronic musical instrument manufacturer in Meridien, Miss. "By going to the site you get decisions rolling quickly. The different managers can pick up on what needs fixing. The human-resources manager can see how employees work together. The MIS manager sees how employees use the computers. You can stop and question employees on the spot, rather than hearing secondhand what's going on."

When rejects piled up in the raw materials warehouse, for example, Peavey and her managers went right to work by cleaning up the debris and brainstorming about ways to improve operations. Today, the production department sorts rejects by vendor and salvages more parts, purchasing agents make weekly trips to the warehouse to avoid overordering, and the receiving staff takes more care in stacking raw materials.

"Employees are impressed that management is involved and not sitting in offices looking down on everything," says Peavey. ❑

ON THE CHEAP

SHARING PRINTERS

By Cary Lu

What's the best way for computer users to share a printer?

Well, the high-tech solution is a computer network that ties computers and printers together. But while this is easy with Macintosh computers, which all have a built-in network circuit, a network hookup for IBM PCs and clones can cost $250 to $800 per computer. There are alternatives.

The least expensive way to share a printer is to connect a single computer to the printer and have everyone else bring a floppy disk with their files on it to that computer. Sure, it's awkward, but it can work if one person in your office does all final document formatting and the bulk of the printing anyway.

A manual switch is a slightly more expensive but still cost-effective way to share a printer. These switches cost less than $50 and can connect two or four computers to one printer. You'll want to buy a switch with at least four positions, since a two-way switch isn't much cheaper. Anyone who wants to print a file flips the switch to his or her computer. It's still awkward, but at least you don't have to interrupt someone to print a document. Some printers—particularly expensive laser printers—can be damaged by a manual switch.

The best low-cost solution is a switch that senses electronically which computer needs to print and automatically connects it to the printer. The better automatic switches perform the switching without risk of damage to the printers and are not affected by whether the connected computers are on or off.

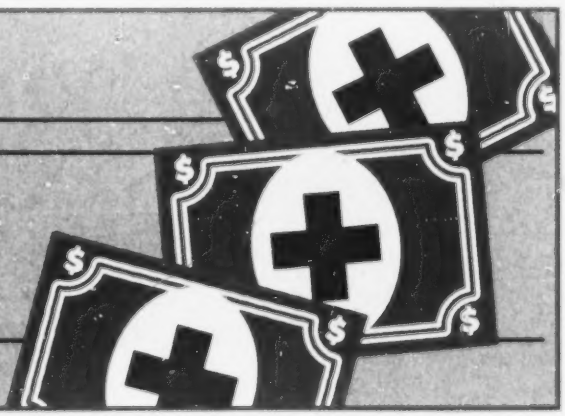
The lowest-cost brand-name automatic switch is the SmartPrint switch from Dresselhaus (Rancho Cucamonga, Calif., 800-368-7737). SmartPrint switches can connect two computers to one printer for $129, four computers for $199, or six computers for $229. Different models handle serial or parallel port printers. Since a computer can generate information faster than a printer can put it on paper, Dresselhaus supplies software with its switch that can turn a computer's memory or hard-disk drive into a printer buffer. The buffer accepts information quickly from the computer and passes it to the printer slowly, leaving the computer free to take on a new task. More expensive switches often come with buffer memory built in, but for most applications, a software-controlled buffer works just as well. ❑

HEALTH INSURANCE

EXERCISES IN FUTILITY?

What have you done to control the cost of health-care benefits?

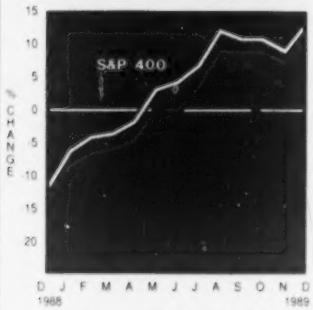
	Fewer than 100 employees	More than 100
Increased deductibles	36%	47%
Higher employee contributions	28%	41%
Second surgical opinions	32%	58%
Adopted preferred provider organization	7%	11%
Adopted health maintenance organization	28%	54%
Did the measure cut health-care costs more than 10%?		
YES	31%	55%
NO	69%	45%



Source: 300 executives surveyed by Noble Lowndes, a benefits consulting firm, East Orange, N.J., 1989

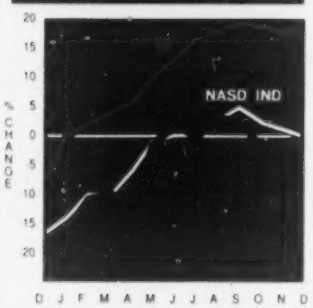
INVESTING IN GROWTH COMPANIES

INC. vs. CONSERVATIVE AVERAGES



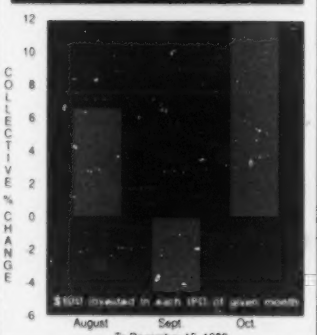
All averages start at 0 in October 1987

INC. vs. SPECULATIVE AVERAGES



All averages start at 0 in October 1987

IPOs IN THE AFTERMARKET



To December 15, 1989

INITIAL PUBLIC OFFERINGS: NOVEMBER 1989

O-T-C sym	Company	Business product	Offering Size ($ mil.)	Offering Price	First aftermarket bid	Underwriter
ALII	Allied Capital Corp. II	Closed-end fund	82.50	15.00	15	Shearson
AMTC	Amtech	Mfrs. radio frequency identification systs.	20.80	13.00	14¼	Smith Barney
CDRGU	Cedar Group	Distr. industrial metal fasteners	2.00	10.00[c]	11¼	M. H. Meyerson
CMSIU	Cryomedical Sciences	R&D of hypothermic medicine	5.00	5.00[d]	7	D. H. Blair
DSM[e]	Dreyfus Strategic Municipal Fund	Closed-end fund	350.00	10.00	10	Shearson
ECIP	ECI Environmental	Provides asbestos abatement svcs.	9.90	9.00	9	Oppenheimer
FTFC	First Federal Capital	Bank holding co.	0.38	11.50	13⅛	Blunt Ellis
FPF[e]	First Philippine Fund	Closed-end fund	69.00	12.00	13¼	Nomura
GEHL	Gehl	Mfrs. constr. & agricultural equip.	30.80	14.00	13⅞	Kashner
GPSX	General Parcel Service	Provides parcel delivery svcs.	3.00	5.00[e]	4⅝	Blunt Ellis
HBCI	Harmonia Bancorp	Bank holding co.	27.00	10.00	10	Shearson
HLTH	Healthsource	Manages HMOs	30.00	15.00	14¾	Kidder Peabody
HHGRU	Helfan Health Group	Operates ambulatory-care facilities	5.00	5.00[e]	4½	Jesup
IMGN	ImmunoGen	Develops drugs for cancer treatment	15.00	10.00	9½	Paine Webber
LSCP	Laserscope	Mfrs. surgical laser systs.	16.33	9.00	11½	Alex. Brown
LSCC	Lattice Semiconductor	Mfrs. programmable logic devices	17.40	6.50	5¾	Dillon Read
MMIC	Mass Microsystems	Mfrs. computer boards & storage systs.	8.20	5.00	6¼	Penn. Merch.
MFV[e]	MFS Special Value Trust	Closed-end fund	90.00	15.00	15	Wheat First
NCP[e]	Nuveen California Performance	Closed-end fund	157.50	15.00	15	Alex. Brown
NNP[e]	Nuveen New York Performance Fund	Closed-end fund	90.00	15.00	15	Alex. Brown
PGF[e]	Portugal Fund	Closed-end fund	69.00	15.00	16¼	Donaldson
POT[e]	Potash Corp. of Saskatchewan	Mines potash	80.80	15.33	15⅞	Merrill Lynch
PRCY	Procyte	Mfrs. biotechnology drugs	10.40	8.00	8	Bateman
RECPZ	Receptech	R&D biotechnology spinoff	2.00	12.00[f]	12	Prudential-Bach
RENL	REN Corp. USA	Operates dialysis treatment ctrs.	8.45	6.50	6½	J. C. Bradford
SLTN	Solectron	Mfrs. electronic parts	11.10	6.00	6¾	Merrill Lynch
TSSLU	TSS Ltd.	Distr. coupons through terminals	7.50	6.00[g]	7	Commonwealth
CARS	Urcarco	Operates chain of used car lots	38.00	11.00	13⅞	Alex. Brown
VIG[e]	VKM Investment Grade Municipal	Closed-end fund	50.40	12.00	12	Paine Webber
WMCL	William & Clarissa	Mfrs. fragrances & personal-care prods.	5.00	5.00	5½	Whale Securities
YSCO	Yes Clothing	Mkts. women's apparel	6.60	8.50	8½	Seidler

Initial public offerings sold at $1 or less not included. First aftermarket bid is approximate. [a] trading on NYSE; [b] units of 4 common + 4 warrants; [c] units of 2 common + 1 warrant; [d] units of 5 common + 5 warrants; [e] units of 1 common + 1 warrant; [f] units of 1 common of Receptech + 1 warrant of Immunex Corp.; [g] units of 3 common + 3 warrants. Offering data source: *Going Public: The IPO Reporter*, a publication of The Dealer's Digest Inc., 150 Broadway, New York, NY 10038.

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